

Message Text

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ACTION DLOS-09

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-07 EUR-12

NEA-10 OIC-02 FEA-01 ACDA-07 AGRE-00 AID-05

CEA-01 CEQ-01 CG-00 CIAE-00 EPG-02 COME-00

DODE-00 DOTE-00 EB-07 EPA-01 ERDA-05 FMC-01

TRSE-00 H-01 INR-07 INT-05 JUSE-00 L-03 NSAE-00

NSC-05 NSF-01 OES-07 OMB-01 PA-01 PM-04 PRS-01

SP-02 SS-15 USIA-06 /164 W

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FROM LOS DEL

E.O. 11652: N/A

TAGS: PLOS

SUBJECT: LAW OF THE SEA--SIT REP JUNE 6

1. US PROPOSALS FOR FINANCING ENTERPRISE AND REVENUE SHARING, SUBMITTED LATE LAST WEEK (SEE JUNE 3 SIT REP), RECEIVED LITTLE SUPPORT IN COMMITTEE I WORKING GROUP DEBATE JUNE 6. CUBA, MAURITIUS, ALGERIA, INDIA, AND INDIRECTLY, THE USSR, WERE CRITICAL OF THE US PROPOSALS.

2. ACCORDING TO THE CUBAN VIEW, LATER SECONDED BY ALGERIA, THE US IS PRIMARILY INTERESTED IN DEVELOPMENT OF SEABED MINING TO BENEFIT ITS COMPANIES, CONTRADICTING THE PRINCIPLE OF SEABED RESOURCES AS THE COMMON HERITAGE OF MANKIND. THE USSR (KOZYREV) ASSERTED THAT STATES DERIVING RESOURCES AND INCOME FROM THE SEABEDS MUST INSURE THE VIABILITY OF THE ENTERPRISE. KOZYREV ENDORSED THE MEXICAN PROPOSALS MADE IN GENEVA LAST MARCH, WHICH

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WOULD RELY HEAVILY ON FEES, ROYALTIES AND PROFIT SHARING WITH CONTRACTORS TO FINANCE THE ENTERPRISE.

3. INDIA DEFENDED ITS OWN FINANCIAL PROPOSALS (SEE SIT REP JUNE 3) CLAIMING THAT ITS \$60 MILLION MINING RIGHT FEE WAS "NOT EXCESSIVE " SINCE IT AMOUNTED TO LESS THAN 10 PERCENT OF THE TOTAL CAPITAL

COST OF A MINE SITE. COMMENT: OUR OWN FIRST IMPRESSION OF THE INDIAN PROPOSAL IS THAT IT WOULD INDEED IMPOSE SEVERE FRONT END COSTS ON COMPANIES, LOWERING THEIR DISCOUNTED RATE OF RETURN. IN ADDITION, THE 20 PERCENT TAX ON GROSS REVENUES WOULD PROBABLY BE UN-ACCEPTABLE TO BOTH COMPANIES AND CREDITORS BECAUSE OF THE OFTEN WIDE FLUCTUATIONS IN MINERAL PRICES.

4. THE UK (LOGAN) STATED THAT IT WAS PREPARED TO CONSIDER FINANCING PROPOSALS AS PART OF A BALANCED SEABED PACKAGE. ON REVENUE SHARING HE WARNED AGAINST PROPOSALS (E.G. INDIA) WHICH WOULD "KILL THE GOOSE THAT LAID THE GOLDEN EGGS." NEW ZEALAND AND SWITZERLAND COMMENTED ON FINANCING BUT REMAINED NON-COMMITAL ON THE QUESTION OF GOVERNMENT CONTRIBUTIONS.

5. ALGERIA (ALOUANCE) DOMINATED THE EARLY DISCUSSION OF REVIEW CONFERENCE PROVISIONS. ALOUANE REJECTED THE EVENSEN TEXT OF ARTICLE 64 AND 65, SAYING THEY WERE BASED ON ACCEPTANCE OF A PROVISIONAL PARALLEL SYSTEM. IN 20 YEARS, THE MULTI-NATIONAL CORPORATIONS WILL HAVE MADE HUGE INVESTMENTS IN THE PROVISIONAL SYSTEM, AND THERE WILL BE LITTLE POSSIBILITY FOR CHANGING IT, HE CONTENTED. IF WE WANT A REVIEW CONFERENCE, HE SAID WE MUST NOW ADOPT A UNITARY SYSTEM. HE VIEWS WERE ENDORSED BY KUWAIT, MAURITIUS, ECUADOR AND SRI LANKA. BRAZIL PROPOSED THAT BEYOND A SPECIFIC DATE, NO NEW MINING CONTRACTS COULD BE SIGNED UNTIL A REVIEW CONFERENCE HAD COMPLETED ITS WORK. THE LIMITED OFFICIAL USE

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FRG (KNOKE) SUGGESTED AMENDMENTS TO THE EVENSEN TEXT WHICH WOULD REQUIRE A 3/4 MAJORITY, INCLUDING MAJOR PRODUCERS AND CONSUMERS OF SEABED MATERIALS FOR A REVIEW CONFERENCE TO ADOPT CHANGES.

6. IN ITS FIRST INTERVENTION OF THE CONFERENCE, VENEZUEALA (AGUILAR) REITERATED SUPPORT FOR A UNITARY SYSTEM. IN THE FIRST REFERENCE TO THE RECENT CIEC CONFERENCE AGUILAR SAID HE DID NOT WISH TO SEE A REPEAT OF THE THE "EXTRAORDINARY MEASURE OF INCOMPREHENSION DISPLAYED BY THE INDUSTRIALIZED WORLD" WHICH CHARACTERIZED THE NORTH-SOUTH MEETING IN PARIS. YOUNG

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